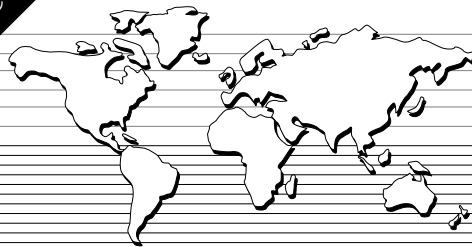




U.S. Department of the Treasury
Office of Foreign Assets Control



IRAN

What You Need To Know About U.S. Economic Sanctions

An overview of O.F.A.C. Regulations involving Sanctions against Iran

Iranian Transactions Regulations - 31 C.F.R. Part 560

As a result of Iran's support for international terrorism and its aggressive actions against non-belligerent shipping in the Persian Gulf, President Reagan, on October 29, 1987, issued Executive Order 12613 imposing a new import embargo on Iranian-origin goods and services. Section 505 of the International Security and Development Cooperation Act of 1985 ("ISDCA") was utilized as the statutory authority for the embargo which gave rise to the Iranian Transactions Regulations, Title 31 Part 560 of the U.S. Code of Federal Regulations (the "ITR").

Effective March 16, 1995, as a result of Iranian sponsorship of international terrorism and Iran's active pursuit of weapons of mass destruction, President Clinton issued Executive Order 12957 prohibiting U.S. involvement with petroleum development in Iran. On May 6, 1995, he signed Executive Order 12959, pursuant to the International Emergency Economic Powers Act ("IEEPA") as well as the ISDCA, substantially tightening sanctions against Iran.

On August 19, 1997, the President signed Executive Order 13059 clarifying Executive Orders 12957 and 12959 and confirming that virtually all trade and investment activities with Iran by U.S. persons, wherever located, are prohibited.

On March 17, 2000, the Secretary of State announced that sanctions against Iran would be eased to allow U.S. persons to purchase and import carpets and food products such as dried fruits, nuts, and caviar from Iran. This change was implemented through amendments to the ITR at the end of April 2000.

Corporate criminal penalties for violations of the Iranian Transactions Regulations can range up to \$500,000, with individual penalties of up to \$250,000 and 10 years in jail. Civil penalties of up to \$11,000 may also be imposed administratively.

This fact sheet provides general information about the Iranian sanctions program under the Iranian Transactions Regulations, and incorporates sanctions imposed by Executive Orders 12957, 12959, and 13059. The sanctions are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

■ **IMPORTS FROM IRAN** - Goods or services of Iranian origin may not be imported into the United States, either directly or through third countries, with the following exceptions:

- (a) Gifts valued at \$100 or less;
- (b) Information or informational materials;
- (c) Foodstuffs intended for human consumption that are classified under chapters 2-23 of the Harmonized Tariff Schedule of the United States; and
- (d) Carpets and other textile floor coverings and carpets used as wall hangings that are classified under chapter 57 or heading 9706.00.0060 of the Harmonized Tariff Schedule of the United States.

U.S. persons are prohibited from providing financing for prohibited import transactions. There are restrictions on letter of credit transactions involving the Government of Iran (see **FINANCIAL DEALINGS WITH IRAN, FINANCING PURCHASES FROM IRAN OR ITS GOVERNMENT**, and **FINANCING IRANIAN-ORIGIN FOODSTUFFS AND CARPETS OTHER THAN PURCHASES FROM IRAN OR ITS GOVERNMENT** below).

■ **EXPORTS TO IRAN** - In general, unless licensed by OFAC, goods, technology (including technical data or other information subject to Export Administration Regulations), or services may not be exported, reexported, sold or supplied, directly or indirectly, from the United States or by a U.S. person, wherever located, to Iran or the Government of Iran. The ban on providing services includes any brokering function from the United States or by U.S. persons, wherever located. For example, a U.S. person, wherever located, or any person acting within the United States, may not broker offshore transactions that benefit Iran or the Government of Iran, including sales of foreign goods or arranging for third-country financing or guarantees.

In general, a person may not export from the U.S. any goods, technology or services, if that person knows or has reason to know such items are intended specifically for supply, transshipment or reexportation to Iran. Further, such exportation is prohibited if the exporter knows or has reason to know the U.S. items are intended specifically for use in the production of, for commingling with, or for incorporation into goods, technology or services to be directly or indirectly supplied, transshipped or reexported exclusively or predominately to Iran or the Government of Iran. A narrow exception is created for the exportation from the United States or by U.S. persons wherever located of low-level goods or technology to third countries for incorporation or substantial transformation into foreign-made end products, provided the U.S. content is insubstantial, as defined in the regulations, and certain other conditions are met.

Donations of articles intended to relieve human suffering (such as food, clothing, and medicine), gifts valued at \$100 or less, licensed exports of agricultural commodities and products, medicine, and medical equipment, and trade in "informational materials" are permitted. "Informational materials" are defined to include publications, films, posters, phonograph records, photographs, microfilms, microfiche, tapes, compact disks, CD ROMs, artworks, and news wire feeds, although certain Commerce Department restrictions still apply to some of those materials. To be considered informational material, artworks must be classified under chapter subheadings 9701, 9702, or 9703 of the Harmonized Tariff Schedule of the United States.

With certain exceptions, foreign persons who are not U.S. persons are prohibited from reexporting to Iran sensitive U.S.-origin goods, technology or services to Iran or the Government of Iran. Foreign persons involved in such reexports may be placed on the U.S. Commerce Department's "Export Denial Orders" list.

U.S. persons may not approve, finance, facilitate or guarantee any transaction by a foreign person where that transaction by a foreign person would be prohibited if performed by a U.S. person or from the United States.

■ **DEALING IN IRANIAN-ORIGIN GOODS OR SERVICES** - Except as authorized by amendments to the ITR relating to foodstuffs and carpets, which were issued at the end of April 2000, U.S. persons, including foreign branches of U.S. depository institutions and trading companies, are prohibited from engaging in any transactions, including purchase, sale, transportation, swap, financing, or brokering transactions related to goods or services of Iranian origin or goods or services owned or controlled by the Government of Iran.

Services provided in the United States by an Iranian national already resident in the United States are not considered services of Iranian origin.

These prohibitions apply to transactions by United States persons in locations outside the United States with respect to goods or services which the United States

person knows, or has reason to know, are of Iranian origin or are owned or controlled by the Government of Iran. U.S. persons may not import such goods or services into or export them from foreign locations. A U.S. person may, however, engage in transactions in third countries necessary to sell, dispose of, store, or maintain goods located in a third country which were legally acquired by that U.S. person prior to May 7, 1995 on the condition that the transactions do not result in an importation into the United States of goods of Iranian origin.

■ FINANCIAL DEALINGS WITH IRAN - New investments by U.S. persons, including commitments of funds or other assets, loans or any other extensions of credit, in Iran or in property (including entities) owned or controlled by the Government of Iran are prohibited. For your information, Appendix A contains a list of banks owned or controlled by the Government of Iran. While U.S. persons may continue to charge fees and accrue interest on existing Iranian loans, a specific license must be obtained to reschedule or otherwise extend the maturities of existing loans.

Payments for licensed sales of agricultural commodities and products, medicine and medical supplies must reference an appropriate OFAC license and may not involve a debit or credit to an account of a person in Iran or the Government of Iran maintained on the books of a U.S. depository institution. Payments for and financing of such licensed sales may be accomplished by cash in advance, sales on open account (provided the account receivable is not transferred by the person extending the credit), or by third country financial institutions that are neither U.S. persons nor government of Iran entities. Any other arrangements must be specifically authorized by OFAC. U.S. depository institutions may advise and confirm letters of credit issued by third country banks covering licensed sales of agricultural commodities and products, medicine and medical supplies.

■ FINANCING PURCHASES FROM IRAN OR ITS GOVERNMENT - Payments for authorized imports of foodstuffs and carpets must reference the relevant section of the ITR. While U.S. depository institutions may deal with Iranian banks on a documentary collection basis [URC 522] for authorized purchases of foodstuffs or carpets, neither payments under collections, nor any other payments, may involve a debit or credit to the account of a person in Iran or the Government of Iran on the books of a U.S. depository institution. U.S. depository institutions may issue letters of credit for purchases provided that the letters of credit are not advised, negotiated, paid, or confirmed by a bank that is included within the definition of the term Government of Iran. A bank that is included in the definition of the term Government of Iran may forward letter of credit documents strictly on a documentary collection basis, either directly to a U.S. depository institution or to a third country bank that is not included within the definition of the term Government of Iran, but cannot send them on an "approval" basis since it cannot be party to a letter of credit.

■ FINANCING IRANIAN-ORIGIN FOODSTUFFS AND CARPETS OTHER THAN PURCHASES FROM IRAN OR ITS GOVERNMENT - U.S. depository institutions are authorized to issue, advise, negotiate, pay, or confirm letters of credit to pay for transactions in or related to foodstuffs and carpets as referenced in amendments to the ITR issued at the end of April 2000, other than purchases from Iran or its Government, provided that such letters of credit are not issued, advised, negotiated, paid, or confirmed by a bank that is included within the definition of the term Government of Iran.

■ "PRE-ZERO CONTRACTS" - Letters of credit and other financing arrangements with respect to trade contracts in force as of May 6, 1995, may be performed pursuant to their terms provided that the underlying trade transaction was completed prior to June 6, 1995 (February 2, 1996 for "agricultural commodities"), or as specifically licensed by OFAC. Standby letters of credit that serve as performance guarantees for services to be rendered after June 6, 1995, cannot be renewed and payment may not be made after that date without authorization by OFAC.

■ OTHER BANKING SERVICES - U.S. depository institutions, including foreign branches, are prohibited from servicing accounts of the Government of Iran, including banks owned or controlled by the Government of Iran (as in Appendix A) or persons in Iran. However, they are authorized to pay interest, deduct reasonable and customary service charges, process transfers related to exempt transactions, such as the exportation of information or informational material, a travel-related remittance, or a payment for the shipment of a donation of articles to relieve human suffering or, at the request of an account holder, effect a lump sum closure of an account by payment to its owner. They may not otherwise directly credit or debit Iranian accounts.

U.S. depository institutions may handle "U-turn" transactions--cover payments involving Iran that are by order of a third country bank for payment to another third country bank--provided they do not directly credit or debit an Iranian account. They are also permitted to handle non-commercial family remittances involving Iran and non-commercial remittances involving humanitarian relief (such as for the victims of the earthquake in Khorasan), provided the transfers are routed to or from non-U.S., non-Iranian offshore banks.

U.S. depository institutions initiating or receiving payment orders involving Iran on behalf of customers must determine prior to processing such payments that they do not involve transactions prohibited by the Iranian Transactions Regulations.

■ TRAVEL - All transactions ordinarily incident to travel to or from Iran, including the importation of accompanied baggage for strictly personal use, payment of maintenance and living expenses and acquisition of goods or services for personal use are permitted.

■ OVERFLIGHTS PAYMENTS - Payments to Iran for services rendered by the Government of Iran in connection with the overflight of Iran or emergency landing in Iran of aircraft owned by United States persons or registered in the U.S. are authorized.

■ PERSONAL COMMUNICATIONS, INFORMATION AND INFORMATIONAL MATERIALS - The receipt or transmission of postal, telegraphic, telephonic or other personal communications, which does not involve the transfer of anything of value, between the United States and Iran is authorized. The exportation from the United States to Iran of information and informational materials, whether commercial or otherwise, regardless of format or medium of transmission, and any transaction incident to such exportation is authorized.

■ TRANSACTIONS INVOLVING U.S. AFFILIATES - No U.S. person may approve or facilitate the entry into or performance of transactions or contracts with Iran by a foreign subsidiary of a U.S. firm that the U.S. person is precluded from performing directly. Similarly, no U.S. person may facilitate such transactions by unaffiliated foreign persons.

■ IRANIAN PETROLEUM INDUSTRY - U.S. persons may not trade in Iranian oil or petroleum products refined in Iran, nor may they finance such trading. Similarly, U.S. persons may not perform services, including financing services, or supply goods or technology, that would benefit the Iranian oil industry.

APPENDIX A - BANKS OWNED OR CONTROLLED BY THE GOVERNMENT OF IRAN

AGRICULTURAL COOPERATIVE BANK OF IRAN (a.k.a. BANK TAAVON KESHAVARZI IRAN), No. 129 Patrice Lumumba Street, Jalal-Ahmad Expressway, P.O. Box 14155/6395, Tehran, Iran

AGRICULTURAL DEVELOPMENT BANK OF IRAN (a.k.a. BANK JOSIAIYI KESHAHVARZI), Farahzad Expressway, Tehran, Iran

BANK JOSIAIYI KESHAHVARZI (a.k.a. AGRICULTURAL DEVELOPMENT BANK OF IRAN), Farahzad Expressway, Tehran, Iran

BANK MARKAZI JOMHOURI ISLAMI IRAN (a.k.a. THE CENTRAL BANK OF IRAN), Ferdowsi Avenue, P.O. Box 11365-8551, Tehran, Iran

BANK MASKAN (a.k.a. HOUSING BANK (of Iran)), Ferdowsi St., Tehran, Iran

BANK MELLAT, Park Shahr, Varzesh Avenue, P.O. Box 11365/5964, Tehran, Iran, and all offices worldwide, including, but not limited to:

■ BANK MELLAT (Branch), Ziya Gokalp Bulvari No. 12, Kizilay, Ankara, Turkey

■ BANK MELLAT (Branch), Binbir Cicek Sokak, Buyukdere Caddesi, P.O. Box 67, Levant, Istanbul, Turkey

■ BANK MELLAT (Branch), 48 Gresham Street, London EC2V 7AX, England

BANK MELLI, P.O. Box 11365-171, Ferdowsi Avenue, Tehran, Iran, and all offices worldwide, including, but not limited to:

■ BANK MELLI (Branch), 4 Moorgate, London EC2R 6AL, England

■ BANK MELLI (Branch), Schadowplatz 12, 4000 Dusseldorf 1, Germany

■ BANK MELLI (Branch), Friedenstrasse 4, P.O. Box 160 154, 6000 Frankfurt am Main, Germany

■ BANK MELLI (Branch), P.O. Box 112129, Holzbruecke 2, 2000 Hamburg 11, Germany

■ BANK MELLI (Branch), Odeonsplatz 18, 8000 Munich 22, Germany

■ BANK MELLI (Branch), 43 Avenue Montaigne, 75008 Paris, France

■ BANK MELLI (Branch), 601 Gloucester Tower, The Landmark, 11 Pedder Street, P.O. Box 720, Hong Kong

■ BANK MELLI (Representative Office), 333 New Tokyo Building, 3-1 Marunouchi, 3-chome, Chiyoda-ku, Tokyo, Japan

■ BANK MELLI (Representative Office), 818 Wilshire Boulevard, Los Angeles, California 90017, U.S.A

■ BANK MELLI (Representative Office), 767 Fifth Avenue, 44th Floor, New York, New York 10153, U.S.A

■ BANK MELLI (Representative Office), Smolensky Boulevard 22/14, Kv. S., Moscow, Russia

■ BANK MELLI (Branch), Flat No. 1, First Floor, 8 Al Sad El-Aaly, Dokki, P.O. Box 2654, Cairo, Egypt

■ BANK MELLI (Branch), Ben Yas Street, P.O. Box No. 1894, Riga Deira, Dubai, U.A.E

■ BANK MELLI (Branch), P.O. Box 2656, Shaikha Maryam Building, Liwa Street, Abu Dhabi, U.A.E

■ BANK MELLI (Branch), B.P.O. Box 1888, Clock Tower, Industrial Road, Al-Ain Club Building in from Emertel Al Ain, Al Ain, Abu Dhabi, U.A.E

■ BANK MELLI (Branch), P.O. Box 1894, Riqa, Ban Yas Street, Deira, Dubai, U.A.E

■ BANK MELLI (Branch), Mohd-Habib Building, Al-Fahidi Street, P.O. Box 3093, Bur Dubai, Dubai, U.A.E

■ BANK MELLI (Branch), P.O. Box 248, Fujairah, U.A.E

■ BANK MELLI (Branch), Sami Sagar Building Oman Street Al-Nakheel, P.O. Box 5270, Ras-Al Khaimah, U.A.E

■ BANK MELLI (Branch), P.O. Box 459, Al Bory Street, Sharjah, U.A.E

■ BANK MELLI (Branch), P.O. Box 785, Government Road, Shaikh Mubarak Building, Manama, Bahrain

■ BANK MELLI (Branch), P.O. Box 23309, Shaikh Salman Street, Road No. 1129, Muharraq 211, Bahrain

■ BANK MELLI (Branch), P.O. Box 5643, Mossa Abdul Rehman Hassan Building, 238 Al Burj St., Ruwi, Muscat, Oman

BANK OF INDUSTRY AND MINE (of Iran) (a.k.a. BANK SANAT VA MADAN), Hafez Avenue, P.O. Box 11365/4978, Tehran, Iran

BANK REFAH KARGARAN (a.k.a. WORKERS WELFARE BANK (of Iran)), Mofettah No. 125, P.O. Box 15815 1866, Tehran, Iran

BANK SADERAT IRAN, Bank Saderat Tower, P.O. Box 15745-631, Somayeh Street, Tehran, Iran, and all offices worldwide, including, but not limited to:

- BANK SADERAT IRAN (Branch), Hamdam Street, Airport Road Intersection, P.O. Box 700, Abu Dhabi, U.A.E
- BANK SADERAT IRAN (Branch), Al-Am Road, P.O. Box 1140, Al Ein, Abu Dhabi, U.A.E
- BANK SADERAT IRAN (Branch), Liwara Street, P.O. Box 16, Ajman, U.A.E
- BANK SADERAT IRAN (Branch), 3rd Floor Dom Dasaf Building, Mejjoka Street 7A, Ashkhabad, Turkmenistan
- BANK SADERAT IRAN (Branch), 25-29 Panepistimiou Street, P.O. Box 4308, GR-10210, Athens 10672, Greece
- BANK SADERAT IRAN (Branch), Imam Ali Street, Sahat Yaghi, Ras Elain-Alektisad Building 2nd Floor, Baalbeck, Lebanon
- BANK SADERAT IRAN (Branch and Offshore Banking Unit), 106 Government Road, P.O. Box 825, Manama Town 316, Bahrain
- BANK SADERAT IRAN (Branch), Hamra Pavillion Street, Savvagh and Daaboul Building 1st Floor, P.O. Box 113-6717, Beirut, Lebanon
- BANK SADERAT IRAN (Branch), Alghobairi Boulevard, Beirut, Lebanon
- BANK SADERAT IRAN (Branch), 28 Sherif Street, P.O. Box 462, Cairo, Egypt
- BANK SADERAT IRAN (Branch), Old Ben-Ghanem Street (next to God Market), P.O. Box 2256, Doha, Qatar
- BANK SADERAT IRAN (Branch), Almaktoom Road, P.O. Box 4182, Deira, Dubai, U.A.E
- BANK SADERAT IRAN (Branch), Bazar Murshid, P.O. Box 4182, Deira, Dubai, U.A.E
- BANK SADERAT IRAN (Branch), Alfahid Road, P.O. Box 4182, Bur Dubai, Dubai, U.A.E
- BANK SADERAT IRAN (Branch), Sherea Shekikh Zayad Street, P.O. Box 55, Fujairah, U.A.E
- BANK SADERAT IRAN (Branch), Wilhelm Leuschner Strasse 41, P.O. Box 160151, W-6000 Frankfurt am Main, Germany
- BANK SADERAT IRAN (Branch), P.O. Box 112227, Hopfenhof Passage, Kleiner Bustah 6-10, W-2000 Hamburg 11, Germany
- BANK SADERAT IRAN (Branch), Lothbury, London EC2R 7HD, England
- BANK SADERAT IRAN (Representative Office), 707 Wilshire Boulevard, Suite 4880, Los Angeles, California 90017, U.S.A
- BANK SADERAT IRAN (Representative Office), 55 East 59th Street, 16th Floor, New York, New York 10022, U.S.A
- BANK SADERAT IRAN (Branch), P.O. Box 4269, Mutrah, Muscat, Oman
- BANK SADERAT IRAN (Branch), 16 rue de la Paix, Paris 2eme, 75002 Paris, France
- BANK SADERAT IRAN (Branch), Alaroba Road, P.O. Box 316, Sharjah, U.A.E

BANK SANAT VA MADAN (a.k.a. BANK OF INDUSTRY AND MINE (of Iran)), Hafez Avenue, P.O. Box 11365/4978, Tehran, Iran

BANK SEPAH, Emam Khomeini Square, P.O. Box 11364, Tehran, Iran, and all offices worldwide, including, but not limited to:

- BANK SEPAH (Branch), Muenchener Strasse 49, P.O. Box 10 03 47, W-6000 Frankfurt am Main 1, Germany
- BANK SEPAH (Branch), 5/7 Eastcheap, EC3M 1JT London, England
- BANK SEPAH (Representative Office), 650 Fifth Avenue, New York, New York 10019, U.S.A
- BANK SEPAH (Branch), 17 Place Vendome, 75001 Paris, France.
- BANK SEPAH (Branch), Via Barberini 50, 00187 Rome, Italy
- BANK SEPAH (Representative Office), Ufficio di Rappresentanza, Via Ugo Foscolo 1, 20121 Milan, Italy

BANK TAAVON KESHAVERZI IRAN (a.k.a. AGRICULTURAL COOPERATIVE BANK OF IRAN) No. 129 Patrice Lumumba Street, Jalal-Ahmad Expressway, P.O. Box 14155/6395, Tehran, Iran

BANK TEJARAT, 130 Taleghani Avenue, Nejatoullahie, P.O. Box 11365-5416, Tehran, Iran, and all offices

worldwide, including, but not limited to:

- BANK TEJARAT (Branch), 6/8 Clements Lane, London EC4N 7AP, England
- BANK TEJARAT (Branch), 44 Avenue des Champs Elysees, 75008 Paris, France

DEUTSCH-IRANISCHE HANDELSBANK AG (n.k.a. EUROPÄISCH-IRANISCHE HANDELSBANK AG) Depenau 2, W-2000 Hamburg 1, Germany, and all offices worldwide, including, but not limited to:

- DEUTSCH-IRANISCHE HANDELSBANK AG (n.k.a. EUROPÄISCH-IRANISCHE HANDELSBANK AG) (Representative Office), 23 Argentine Square, Beihaghi Bulvard, P.O. Box 15815/1787, Tehran 15148, Iran

EUROPÄISCH-IRANISCHE HANDELSBANK AG (f.k.a. DEUTSCH-IRANISCHE HANDELSBANK AG) Depenau 2, W-2000 Hamburg 1, Germany, and all offices worldwide, including, but not limited to:

- EUROPÄISCH-IRANISCHE HANDELSBANK AG (f.k.a. DEUTSCH-IRANISCHE HANDELSBANK AG) (Representative Office), 23 Argentine Square, Beihaghi Bulvard, P.O. Box 15815/1787, Tehran 15148, Iran

HOUSING BANK (of Iran) (a.k.a. BANK MASKAN), Ferdowsi St., Tehran, Iran

IRAN OVERSEAS INVESTMENT BANK LIMITED (f.k.a. IRAN OVERSEAS INVESTMENT CORPORATION LIMITED), 120 Moorgate, London EC2M 6TS, England, and all offices worldwide, including, but not limited to:

- IRAN OVERSEAS INVESTMENT BANK LIMITED (Representative Office), 1137 Avenue Vali Asr off Park-e-Saïl, P.O. Box 15115/531, Tehran, Iran
- IRAN OVERSEAS INVESTMENT BANK LIMITED (Agency), Suite 3c Olympia House, 61/63 Dame Street, Dublin 2, Ireland
- IRAN OVERSEAS INVESTMENT BANK LIMITED (Agency), Improgetti, Via Germanico 24, 00192 Rome, Italy
- IRAN OVERSEAS TRADING COMPANY LIMITED (Subsidiary), 120 Moorgate, London EC2M 6TS, England
- IRAN OVERSEAS INVESTMENT CORPORATION LIMITED (n.k.a. IRAN OVERSEAS INVESTMENT BANK LIMITED), 120 Moorgate, London EC2M 6TS, England

THE CENTRAL BANK OF IRAN (a.k.a. BANK MARKAZI JOHMOURI ISLAMI IRAN), Ferdowsi Avenue, P.O. Box 11365-8551, Tehran, Iran

WORKERS WELFARE BANK (of Iran) (a.k.a. BANK REFAH KARGARAN), Mofettah No. 125, P.O. Box 15815 1866, Tehran, Iran

Iranian Assets Control Regulations - 31 C.F.R Part 535

Separate Iranian sanctions regulations appear at 31 C.F.R. Part 535. On November 14, 1979, the assets of the Government of Iran in the United States were blocked in accordance with IEEPA following the seizure of the American Embassy in Teheran and the taking of U.S. diplomats as hostages. Under the Iranian Assets Control Regulations (Title 31 Part 535 of the U.S. Code of Federal Regulations), some US\$12 billion in Iranian Government bank deposits, gold, and other properties were frozen, including \$5.6 billion in deposits and securities held by overseas branches of U.S. banks. The assets freeze was eventually expanded to a full trade embargo, which remained in effect until the Algiers Accords were signed with Iran on January 19, 1981. Pursuant to the Accords, most Iranian assets in the United States were unblocked and the trade embargo was lifted. The U.S. Government also canceled any attachments that U.S. parties had secured against Iranian assets in the United States, so that the assets could be returned to Iran or transferred to escrow accounts in third countries pursuant to the Accords. This action was upheld by the Supreme Court in 1981 in *Dames & Moore v. Regan*. Although greatly modified in scope, the old Iranian Assets Control Regulations remain in effect. Many U.S. nationals have claims against Iran or Iranian entities for products shipped or services rendered before the onset of the 1979 embargo or for losses sustained in Iran due to expropriation during that time. These claims are still being litigated in the Iran-United States Claims Tribunal at The Hague established under the Algiers Accords. Certain assets related to these claims remain blocked in the United States and consist mainly of military and dual-use property.

A SUMMARY OF REGULATIONS RELATING TO COMMERCIAL SALES OF FOOD, MEDICINE, AND MEDICAL EQUIPMENT TO IRAN, LIBYA, AND SUDAN

OFAC has taken steps, after close consultation with the Departments of State and Agriculture, to implement the policy announced by President Clinton on April 28 to authorize, with appropriate safeguards, commercial sales of food, medicine and medical equipment under existing unilateral sanctions regimes. This policy affirmed the President's earlier statement that "...food and other human necessities should not be used as a tool of foreign policy except under extraordinary circumstances." The implementation is in the form of regulations amending the current sanctions regimes for Iran, Libya and Sudan in accordance with guidance from the Department of State developed following an interagency process. The new regulations provide that licenses will be issued—on a case-by-case basis and with appropriate safeguards—to allow commercial sales of food, medicine and medical equipment to approved buyers in Iran, Libya and Sudan.

What items are covered under this new policy?

This new licensing policy applies to agricultural commodities and products that are intended for ultimate consumption as food by humans or animals. This includes raw, processed and packaged foods, animal feeds and pet food, live food animals, seeds for food crops, and reproductive materials for the production of food animals. It does not include non-food agricultural commodities, such as cotton or tobacco.

The new licensing policy also applies to medicines, including those administered by injection, and medical equipment, as long as the medicines and medical equipment are not listed on the Commerce Control List, which is a list maintained by the Department of Commerce of goods that are controlled for export to certain countries for reasons of national security, nuclear nonproliferation, anti-terrorism, and so on.

Who are the approved buyers in Iran, Libya and Sudan?

The specific licenses that are issued under this policy will allow sales to:

- private individuals acting for their own account;
- nongovernmental entities; and
- government procurement bodies identified by the Office of Foreign Assets Control as not being affiliated with the coercive organs of the state.

A list of such approved government procurement bodies will be available on OFAC's Web site and from its FAX-on-Demand service and will be provided to each licensee. This list will be updated from time to time, as necessary. In addition, persons applying for specific licenses can propose adding other qualifying government procurement bodies to this list.

What procedures do people have to follow to get a license?

The new regulations set up two different procedures for obtaining specific licenses.

First, there is an expedited licensing procedure for sales of specified bulk agricultural commodities listed in an appendix to the regulations. Licensees under this procedure will receive one license authorizing them to respond to requests for bids, to enter into binding contracts and to perform contracts. Licenses will not be limited to one contract or transaction, but rather will authorize sales of bulk agricultural commodities over a specified time period. Applicants will not have to identify their purchasers or other sales terms, such as price, in advance. The licenses, however, will be subject to certain conditions. For example:

- all sales must be at prevailing market prices and only to approved purchasers, who must be fully identified in the contracts;
- payment terms must be consistent with the regulations; and
- any applicable license application requirements of another Federal agency must be satisfied.

Second, for sales of all other food items, medicines and medical equipment, the regulations provide a two-step licensing procedure that allows for case-by-case review of each contract. The first step is a general license authorizing entry into executory contracts that make performance contingent upon the prior approval of the Office of Foreign Assets Control. The executory contracts will have to meet the similar criteria to those for bulk agricultural commodity sales contracts and, in addition, will have to disclose up front all parties with an interest in the sale and set forth all the terms of the sale. The second step in this licensing procedure is for the prospective seller to apply to OFAC for a specific license permitting performance of the executory contract. The applicant will have to submit the executory contract to OFAC, as well as any other information necessary to demonstrate that all applicable requirements have been met. No contract performance is permitted until OFAC issues a specific license.

What types of payment terms and financing will be allowed for these sales?

Certain payment and financing terms for sales licensed under the new policy are authorized by a general license. The generally licensed payment and financing terms are limited to:

- cash in advance;
- sales on open account, with the proviso that the account receivable may not be transferred by the person extending the credit; or
- financing by third-country banks that are neither U.S. persons nor Iranian, Libyan or Sudanese government entities.

U.S. banks may advise or confirm letters of credit issued by third-country banks.

In addition, OFAC will consider applications for specific licenses to authorize other terms for payment and financing where compliance with the overall sanctions regime would not be undermined. Payments for licensed sales—which must reference an appropriate OFAC license—may not involve a debit to a blocked account, or a debit or credit to an account of a person in Iran or of the Government of Iran maintained on the books of a U.S. depository institution. In order to ensure that payments are not blocked or rejected, persons sending or receiving them should be certain that their transfer instructions reference the underlying OFAC license authorizing their transaction and ought to be prepared to show their bank a copy of their license.

There will be no U.S. Government funding or financing in support of these sales.

Incidental transactions and brokering

The regulations also contain a general license authorizing, with some limitations, transactions ordinarily incident to a licensed transaction, such as shipping, insurance and payment of port fees. Since travel to Libya is currently prohibited, a separate section authorizes travel transactions to, from and within Libya for the sole purpose of negotiating contracts authorized by the general license for entry into executory contracts or by specific licenses for bulk agricultural commodity sales. U.S. passports must be validated by the Department of State for travel to Libya.

Finally, there is a provision in the new regulations authorizing U.S. persons, on certain conditions, to broker the sale by third parties of bulk agricultural commodities to approved buyers in Iran, Libya and Sudan. Where the underlying sale is by a U.S. person and must be specifically licensed, brokering is permitted by general license. Where the underlying sale is a third country sale and is not subject to OFAC licensing requirements, a U.S. person must apply for a specific license to broker the sale.

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This document is explanatory only and does not have the force of law. The Executive Orders and implementing regulations dealing with Iran contain the legally binding provisions governing the sanctions. This document does not supplement or modify those Executive Orders or regulations.

The Treasury Department's Office of Foreign Assets Control also administers sanctions programs involving Libya, Iraq, the Federal Republic of Yugoslavia, the Republic of Serbia, Cuba, the National Union for the Total Independence of Angola (UNITA), the Taliban in Afghanistan, North Korea, Syria, Sudan, international terrorists, Foreign Terrorist Organizations, international narcotics traffickers, and designated foreign persons who have engaged in activities related to the proliferation of weapons of mass destruction. For additional information about these programs or about the Iranian sanctions programs, please contact the:

OFFICE OF FOREIGN ASSETS CONTROL

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